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QUEENSTON GOLD MINES LIMITED

ANNUAL REPORT 1977

QUEENSTON GOLD MINES LIMITED

DIRECTORS R. G. Brawn
E. Connelly
R. M. Gray
J. W. Killick
J. C. McBean
V. K. Travis

OFFICERS V. K. Travis, Chairman of the Board
R. M. Gray, President
E. E. Goring, Secretary
W. J. Muns, Treasurer

TRANSFER AGENTS Crown Trust Company, Toronto, Ontario

STOCK EXCHANGE Montreal Stock Exchange

AUDITORS Clarkson, Gordon & Co., Calgary, Alberta

HEAD OFFICE Suite 908, 40 University Avenue
Toronto, Ontario
M5J 1T1

ANNUAL MEETING March 31, 1978
Toronto, Ontario

QUEENSTON GOLD MINES LIMITED

PRESIDENT'S REPORT

To the Shareholders:

The year 1977 has been an active one for Queenston. The Company's large property under option to the Canadian Nickel Company Limited, in the Kirkland Lake area, Ontario, underwent a continuous, comprehensive exploration program through the year, including diamond drilling. Details of this project and other of the Company's properties, are summarized in the accompanying Property and Operations Report.

During the late summer and fall of 1977, Queenston acquired the gold property assets of Upper Canada Resources Limited, Upper Kirkland Mines Limited and Bellerroche Mines Limited, all of which include interesting possibilities warranting additional exploration. These properties are being reviewed in detail and negotiations are currently underway to develop additional exploration programs on certain of these properties during 1978. The dormant Upper Canada, Upper Beaver and Pandora-Amm Mine properties contain indicated gold reserves that will be reviewed, in light of the current escalation in the gold price. At December 31, 1977, the Company owned outright or holds a major interest in gold properties totalling 389 claims containing 15,696 acres.

As part of the 1977 property acquisitions, Queenston purchased a 50% interest in the 19 claim St. Joseph, Gracie-East and Gracie-West properties, located west of the currently producing Macassa gold mine in the Kirkland Lake area. Willroy Mines Limited holds the remaining 50% interest and, by prior agreement, operates the claims in conjunction with the Macassa mine, and makes royalty payments to Queenston. During the last calendar quarter of 1977, production from the Gracie-East property totalled 6,806 tons containing 3,206 ounces of recovered gold.

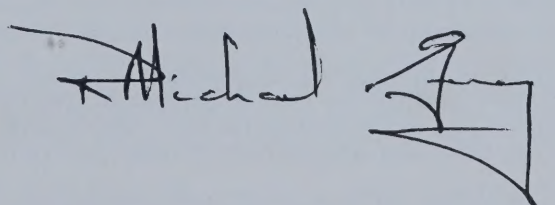
Queenston continues to own 117,000 shares of Bankeno Mines Limited. Bankeno in turn maintains a significant presence in oil and gas and mineral developments in the Canadian Arctic, with a 1.86% shareholding interest in Panarctic Oils Ltd., a 25% shareholding interest in Arvik Mines Ltd., as well as other arctic oil, gas and mineral land interests.

With the sale of company shares to Upper Canada Resources Limited in the fall of 1977 and the repayment of prior advances from Upper Canada, the Company is now in a positive working capital position.

A Property and Operations Report and Property Location Maps are presented in the following section to provide a greater depth of understanding of the Company's properties and current operations. Details concerning the forthcoming Annual Meeting to be held March 31, 1978 in Toronto, accompany the 1977 Annual Report in the Notice, Information Circular and Proxy.

Your Directors are encouraged by the results of 1977, and look forward to increased activity in 1978.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Michael Gray", followed by a stylized flourish or second signature.

March 1, 1978
Toronto, Ontario

R. MICHAEL GRAY
President

PROPERTY AND OPERATIONS REPORT

QUEENSTON PROPERTY (Queenston 100%)

The initial company property acquired in 1941 consists of 38 claims located immediately south of the Upper Canada Mine property, Gauthier township, 10 miles east of Kirkland Lake, Ontario.

The property has never been in production but has been explored and developed through 4 shafts. All underground exploration and development, surrounding the gold deposits in this region of the Larder Lake Gold Structure, was completed by 1951.

Drill indicated reserves in excess of 500,000 tons grading of 0.14 oz/gold per ton have been located in the underground working of the Anoki and No. 2-4 shaft areas. The workings are now flooded.

The Queenston Main Property and the adjoining Munro Properties, as described below, were optioned to the Canadian Nickel Company Limited in April 1976. They have undergone continuous surface exploration since that time. The results are summarized under the following Canico Project section.

MUNRO PROPERTY (Queenston 100%)

The Munro property consists of 2 claim blocks totalling 66 claims, adjoining the western boundary of the Queenston property, in Gauthier and Lebel townships, Ontario. As the property is almost completely covered by a thick sand and gravel deposit, no significant exploration was completed on it prior to the current Canico Project.

CANICO PROJECT

By Agreement dated April 28, 1976, Queenston and Upper Canada Resources Limited optioned their interests in the Queenston Property and the Munro Property to the Canadian Nickel Company Limited (Canico) with terms as generally outlined in Note 6 of the accompanying financial report. In 1977, Queenston acquired Upper Canada's interest in these properties and the Canico agreement, as outlined in Note 7. The combined Queenston-Munro properties total 104 claims, all of which are located in Lebel and Gauthier townships, Kirkland Lake area, Ontario. During 1977, Canico optioned the Biroco and Stalmack properties, totalling 18 claims, and acquired by staking 11 other claims bringing to 133 the total number of mineral claims now subject to the Agreement between Canico and Queenston.

The objective of the Canico Project at the outset was to investigate the gold bearing possibilities of the Larder Lake Structure which has the potential to extend across at least 5 miles of the combined properties. Canico reports that, to date, 129 claims have been covered by a series of surveyed base lines with north-south picket lines on 400-foot centres. These in turn have been covered by ground magnetic and geological surveys, and approximately three-quarters of the ground has been covered on a reconnaissance basis by induced polarization surveys. Basal till and 10-foot bedrock samples from 93 reverse circulation-chip sample drill holes provided valuable rock type and geochemical information.

Between October 28, 1976 and January 6, 1977, a north-south section of 3 diamond drill holes, totalling 4,326 feet, was drilled roughly 3,000 feet west of the Anoki shaft. This drilling located the Larder Lake Structure in this region and provided the necessary rock type information to allow a further interpretive projection of this Structure to the west. Low gold values were obtained in this drilling.

The 1977 field program commenced in May with additional linecutting and geophysical programs completed over the Queenston, Munro, Biroco and Stalmack properties.

With the preliminary exploration program completed and an initial geological understanding determined for the overall project properties, diamond drilling recommenced on August 4 and continued to December 19, 1977, with a total of 11,295 feet completed in 8 holes, on two zones. One hole was abandoned in deep overburden.

The Munro Zone, a north-south section of 4 holes, including the abandoned hole, was drilled approximately 9,600 feet west of the section drilled in the latter part of 1976, and noted above. Two other holes were drilled approximately 400 feet west and 1,200 feet east of the initial four-hole section, respectively.

The Munro Zone drilling located rocks similar to those of the Larder Lake Structure and a separate wide zone of sub-economic gold mineralization. This zone is lower in grade but may correlate with a gold intersection located by Biroco-Kirkland Mines Limited in their 1944 drill program and which is reported to be .085 oz/gold per ton over 70 feet of hole length. It occurs within a broad unit of volcanic rocks and to date would appear to have intersected in drill holes across a strike length of 1,600 feet.

The second area of drilling in 1977 consisted of a two-hole program in the Jordan Lake area, located 4,800 feet west of the Munro Zone, and roughly 800 feet east of Wilson Lake. A different rock section was encountered here relative to that in the Munro Zone area and no further work is contemplated in this area.

Since commencing exploration on the Canico Project in the summer of 1976, a total of \$681,610 (unaudited) has been spent on work and option payments to December 31, 1977.

The results on the Canico Project to date are encouraging in that the position of the Larder Lake Structure has been confirmed in two locations 3,000 feet and 12,600 feet west of the Anoki shaft area, and under the prevailing sand deposits of the region, and the Munro Zone has been intersected over a strike length of 1,600 feet. Each of these features may extend across the combined properties and may, within these extensions, encompass an orebody.

It is anticipated that following a complete synthesis of the Project results to date, additional field exploration will recommence in the early summer of 1978.

GRACIE-EAST, GRACIE-WEST AND ST. JOSEPH PROPERTIES (Queenston 50%)

The three properties totalling 19 claims are jointly held with Willroy Mines Limited (50%). All are located in the southwest corner of Teck township, Ontario. The currently producing, 2-claim, Gracie-East property adjoins the Macassa Gold Mine. Production from the property is being undertaken through a Royalty agreement with Willroy, the mine Operator. The St. Joseph property (4 claims) adjoins the Gracie-East property on the west and the Gracie-West property (13 claims) adjoins the Upper Kirkland property (Queenston 100%) on its western boundary. All three properties encompass the Kirkland Lake Gold Structure or an interpreted extension of this Structure to the west of the Macassa Mine.

Production from the Gracie-East property commenced in March 1974. During 1977, 20,801 tons containing 10,001.19 ounces of gold were recovered, and royalties received during this period by Upper Resources Limited, then Queenston, totalled \$41,547. Production from the property should continue through 1978 in conjunction with the overall operations at the Macassa Mine.

UPPER CANADA MINE PROPERTY (Queenston 100%)

This 44-claim property, in Gauthier township 10 miles east of Kirkland Lake, operated continuously from 1938 to 1971 before closing, due to the then prevailing low gold price. During the 23 years of mining operations, 4,735,532 tons of ore averaging 0.32 oz/gold per ton were produced. The No. 1 shaft has been developed to 6,296 feet, the No. 2 shaft to 1,800 feet, and the Brock shaft to 630 feet. All workings are now flooded.

Drill indicated reserves to the 6,650 level, 500 feet below the mine workings, are estimated at 640,000 tons grading .265 oz/gold per ton.

The property, including the immediate area of the mine workings, contains potential gold targets that will be considered for further exploration.

UPPER BEAVER MINE PROPERTY (Queenston 100%)

The property consists of 51 claims located in Gauthier and McVittie townships, 4 miles north-east of the Upper Canada Mine. Intermittent operations by Argonaut Gold Mines Limited, between 1919 and 1928, produced gold, silver and copper, with a value of approximately \$800,000. Upper Canada Mines operated the "Upper Beaver" from 1965 until final shutdown in 1972, after having produced 427,000 tons grading 0.25 oz/gold and 1.28% copper. The Mine produced through a 529-foot shaft and a winze from the 500 level to the 1250-foot level. All workings are now flooded.

Drill indicated reserves estimated at 200,000 tons grading 0.23 oz/gold and 1.2% copper are not economic at present. Other potential target areas on the property will be considered for further exploration.

PANDORA-AMM MINE PROPERTY (Queenston 100%)

This former gold producer consists of 36 claims located in Cadillac township, Quebec. It straddles the highway along strike from and 3 miles east of the O'Brien Gold Mine. Intermittent mining operations occurred on the property between 1939 and 1942 from the No. 2, 3 and 4 shafts. Modest profits were reported from production of 196,929 tons grading 0.16 oz/gold per ton. The No. 1 (Amm) shaft was sunk to 100 feet, the No. 2 shaft to 520 feet, the No. 3 shaft to 825 feet, and the No. 4 shaft to 525 feet. All workings are now flooded.

The property remained idle from the mid 1940s until 1974. In June 1974, a diamond drilling program located a possible new gold zone west of the No. 3 shaft. Additional exploration is required here and on other untested target areas occurring along the Cadillac Gold Structure on the property.

LABERADA MINES LIMITED (Queenston 25%)

Queenston Gold Mines Limited holds a 25% interest in Laberada Mines Limited, with Labrador Mining and Exploration Limited holding 75%. Laberada owns the 42-claim Pawnee Property in Lebel township, Ontario, which lies between the two Munro property claim blocks, noted previously.

Gold was discovered on the Pawnee property in the 1920s, at which time limited underground development was completed through a shaft sunk to 750 feet. Upper Canada Mines Limited (1962-64) and then Labrador Mining and Exploration Limited (1964-67) completed additional surface and underground exploration and, although good values and short gold zones were located, no reserves were established. No work has been undertaken on the property since 1967, and the workings are now flooded. 'Labrador Mining' maintains the property in good standing.

UPPER KIRKLAND PROPERTY (Queenston 100%)

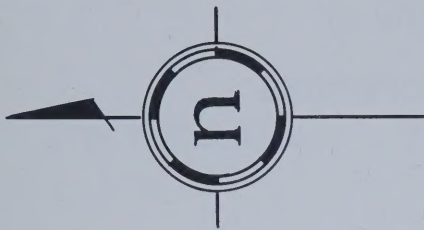
The Upper Kirkland property consists of 13 claims located between the Gracie-East and Gracie-West properties in the southwest corner of Teck township, Kirkland Lake. No production has occurred on the property. The most recent exploration program of mapping and diamond drilling was completed by Kirkland Gateway Mines Limited in 1938.

The Ontario government geology map of Teck township projects the Kirkland Lake Gold Structure, southwest from the Macassa Mine property to and across the Upper Kirkland property. Ten relatively shallow holes were completed in 1938, to test this structure. Low gold values and what is believed to be the western extension of the Kirkland Lake Gold Structure were reportedly intersected.

Past exploration results on the property are currently being reviewed.

OTHER MINING CLAIMS

At December 31, 1977, and in addition to the above-noted properties, the Company held an interest in a number of smaller gold properties in the northeastern region of Ontario. These holdings are also being reviewed for possible further exploration.



DARIUS GOLD MINES INC.
(BRUCE PROPERTY)

DARIUS GOLD MINES INC.
(O'BRIEN PROPERTY)

KEWAGAMA
GOLD MINES

SARAFAND DEV.
(WOOD-CADILLAC PROPERTY)

Cadillac Gold Structure

HIGHWAY 117

QUEENSTON
GOLD MINES LIMITED
(PANDORA - AMM PROPERTY)

DARIUS G.M.I.
(TONAWANDA)

Cadillac

Cadillac Township

QUEENSTON GOLD MINES LIMITED

LOCATION MAP

PANDORA - AMM PROPERTY
CADILLAC TOWNSHIP - QUEBEC.



Note: Property boundaries approximate and property names assumed to be correct.

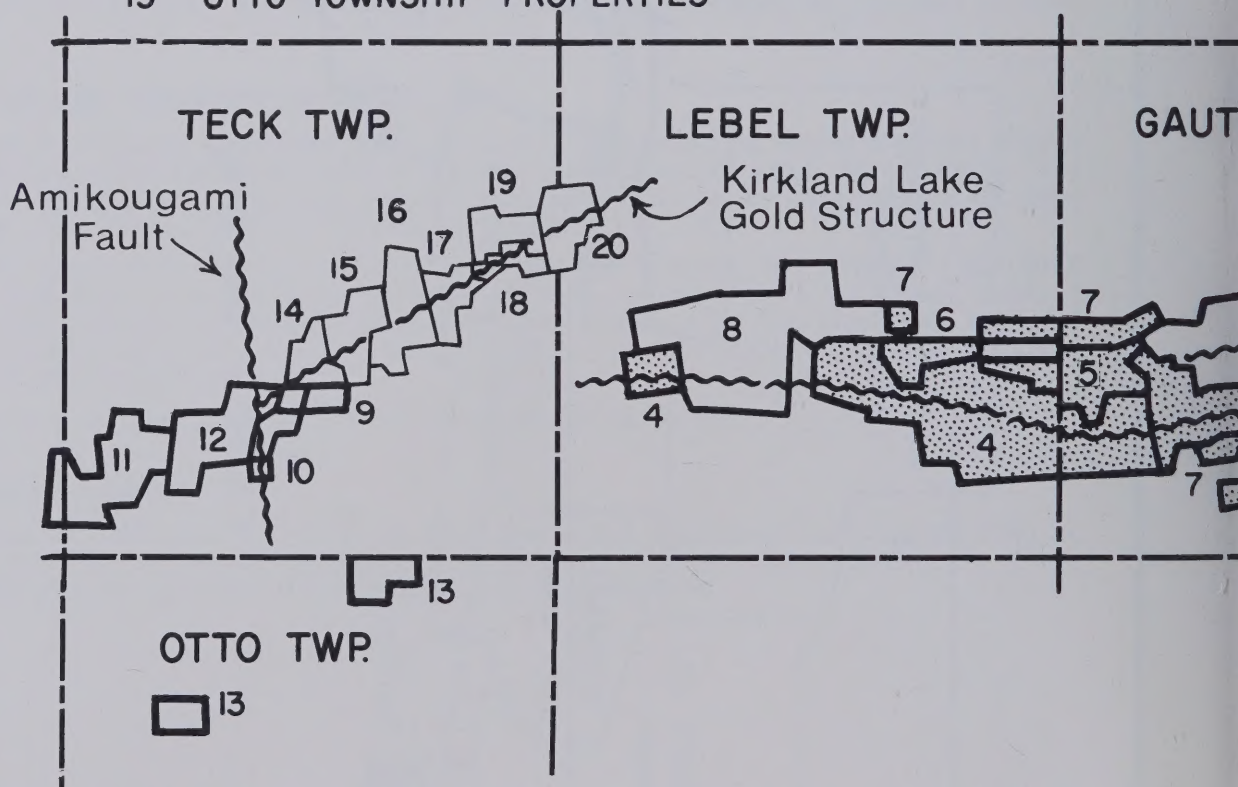
Dec. 31, 1977

Queenston Gold Mines Limited

HOLDINGS (Direct and Indirect)

Prese

- | | | | |
|----|--|----|----|
| 1 | UPPER CANADA MINE PROPERTIES | 14 | TI |
| 2 | UPPER BEAVER PROPERTY | 15 | W |
| 3 | QUEENSTON PROPERTY | 16 | T |
| 4 | MUNRO PROPERTY | 17 | LA |
| 5 | BIROCO PROPERTY OPTION | 18 | W |
| 6 | STALMACK PROPERTY OPTION | 19 | SY |
| 7 | MISCELLANEOUS AFTER-ACQUIRED PROPERTIES | 20 | TO |
| 8 | LABERADA MINES LIMITED - PAWNEE PROPERTY | 21 | OR |
| 9 | GRACIE - EAST PROPERTY | 22 | KI |
| 10 | ST JOSEPH PROPERTY | | |
| 11 | GRACIE - WEST PROPERTY | | |
| 12 | UPPER KIRKLAND PROPERTY | | |
| 13 | OTTO TOWNSHIP PROPERTIES | | |



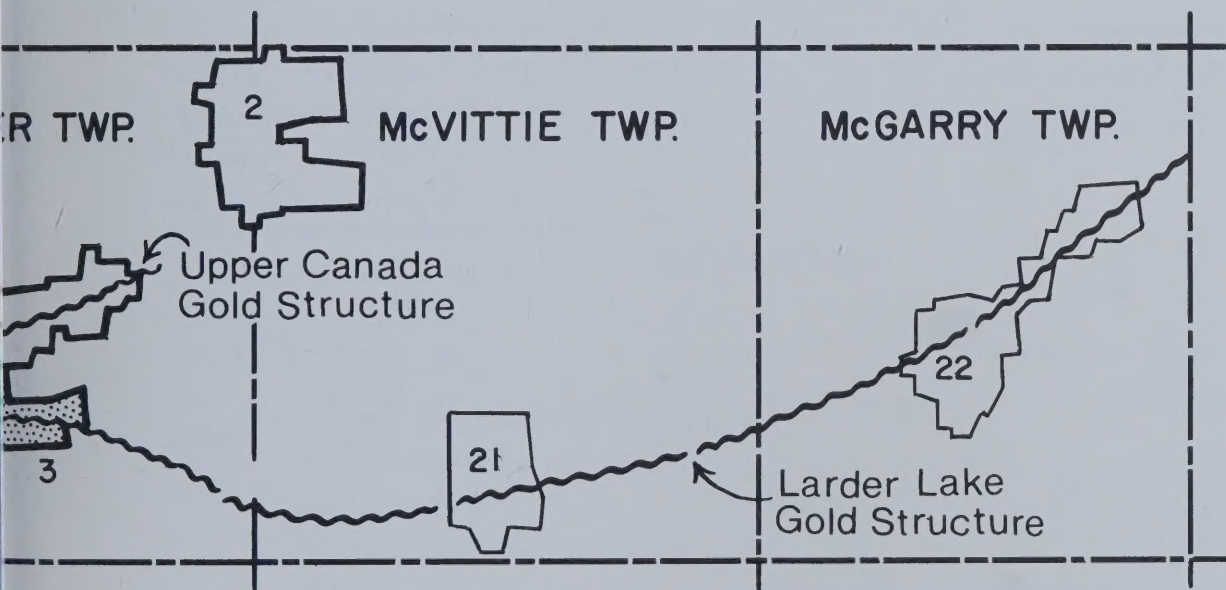
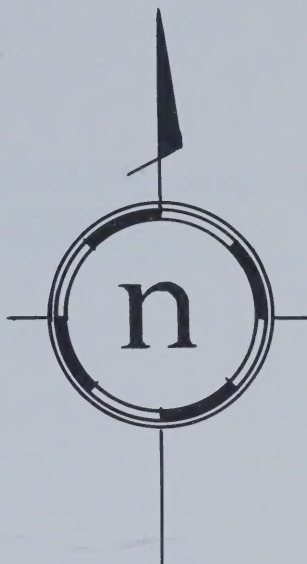
KEY

- Approximate location and/or assumed location of Favourable Gold-bearing Structure
- Queenston Holdings (Nos. 1 - 13)
- Present and Past Gold Mine Properties
- Canico Project Properties

Note: Property boundaries approximate

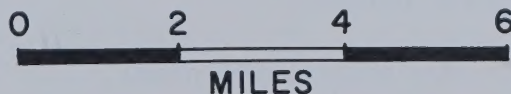
and Past Gold Mines

EN
ROY MINES LTD. (MACASSA)
HUGHES
SHORE
HT HARGREAVES
ANITE
RN
A
ADDISON



PROPERTY LOCATION MAP

QUEENSTON GOLD MINES LIMITED
KIRKLAND LAKE AREA - ONTARIO



Dec. 31, 1977

QUEENSTON GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

September 30, 1977

(with comparative figures at September 30, 1976)

ASSETS

Current:	1977	1976
Cash	\$ 17	\$ 20
Accounts receivable	1,169	582
	<u>1,186</u>	<u>602</u>
Investments (Note 2)	272,759	272,759
Mining Properties (Note 6)	<u>383,368</u>	<u>383,368</u>
Deferred Expenditures:		
Exploration and development	983,365	970,227
Head office and administration	272,847	218,729
	<u>1,256,212</u>	<u>1,188,956</u>
	<u>\$1,913,525</u>	<u>\$1,845,685</u>

LIABILITIES

Current:	1977	1976
Due to associated company	\$ 87,668	\$ 51,893
Accrued charges	35,268	3,203
	<u>122,936</u>	<u>55,096</u>
Shareholders' Equity:		
Capital —		
Authorized:		
6,000,000 shares without par value		
Issued and fully paid:		
4,700,000 shares	1,775,421	1,775,421
Retained earnings (unchanged during year)	15,168	15,168
	<u>1,790,589</u>	<u>1,790,589</u>
	<u>\$1,913,525</u>	<u>\$1,845,685</u>

On behalf of the Board:

R. M. GRAY, Director.

V. K. TRAVIS, Director.

(See accompanying notes)

QUEENSTON GOLD MINES LIMITED

STATEMENT OF DEFERRED EXPENDITURES

Year Ended September 30, 1977

(with comparative figures for the year ended September 30, 1976)

Exploration and Development:	1977	1976
Balance, beginning of year	\$ 970,227	\$1,040,663
Add		
Realty, school and acreage taxes	312	914
Exploration costs	12,339	1,920
Consulting fees	2,640	1,730
Expenditures for year	15,291	4,564
Less sundry proceeds	2,153	75,000
Increase (decrease) for year	13,138	(70,436)
Balance, end of year	<u>\$ 983,365</u>	<u>\$ 970,227</u>
Head Office and Administration:		
Balance, beginning of year	\$ 218,729	\$ 171,689
Add		
Printing and stationery	2,663	3,685
Transfer agent and registrar	7,064	2,964
Ontario capital tax	1,470	3,393
Legal and audit	27,797	16,421
Rent and management fee	7,000	10,000
Interest	7,424	9,861
Travel	271	689
Miscellaneous	429	27
Expenditures for year	54,118	47,040
Balance, end of year	<u>\$ 272,847</u>	<u>\$ 218,729</u>

(See accompanying notes)

QUEENSTON GOLD MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended September 30, 1977

(with comparative figures for the year ended September 30, 1976)

Source of Funds:	1977	1976
Sundry proceeds (Note 6)	\$ 2,153	\$ 75,000
Application of Funds:		
Purchase of mining properties		2,000
Exploration and development expenditures	15,291	4,564
Head office and administration expenditures	54,118	47,040
	69,409	53,604
Increase (decrease) in working capital deficiency	67,256	(21,396)
Working capital deficiency, beginning of year	54,494	75,890
Working capital deficiency, end of year	\$ 121,750	\$ 54,494

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Queenston Gold Mines Limited

We have examined the balance sheet of Queenston Gold Mines Limited as at September 30, 1977 and the statements of deferred expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,
December 12, 1977.

Clarkson, Gordon & Co.
Chartered Accountants.

QUEENSTON GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

September 30, 1977

1. Summary of Significant Accounting Policies Mining Properties and Deferred Expenditures —

The company owns twelve patented mining claims and has a 75% interest in a further thirty-eight patented and sixty-six unpatented mining claims in the Kirkland Lake area which are carried at cost, less proceeds from sales of highway and hydro rights. Exploration, development, head office and administration expenditures are deferred until such time as the company's properties are brought into production, sold or abandoned. The mining properties and the related deferred expenditures are amortized against revenue if the properties are brought into production or charged against deficit if the properties are sold or abandoned.

Investments —

Investments are carried at cost except where there has been a decline in their value which is considered to be other than a temporary decline, in which case the investments are written down to recognize the loss.

2. Investments

Investments consist of the following:

	1977			1976		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
Upper Canada						
Resources Limited	5,000	\$ 5,859	\$ 8,500	5,000	\$ 5,859	\$ 5,050
Bankeno Mines						
Limited	117,000	266,900	201,240	117,000	266,900	169,650
		<u>\$ 272,759</u>	<u>\$ 209,740</u>		<u>\$ 272,759</u>	<u>\$ 174,700</u>

3. Income Taxes

Under the provisions of the Income Tax Act, exploration and development expenditures are deductible in determining taxable income. Any expenditures not deductible in a given year may be carried forward and applied against future income. The company has approximately \$409,000 of expenditures so available. In addition, the company has losses for tax purposes of \$52,819 which may be carried forward and applied to reduce future taxable income.

The availability of these losses expires as follows:

1978	—	\$ 5,727
1979	—	6,817
1980	—	7,895
1982	—	17,189
		<u>\$ 37,628</u>

4. Statutory Information

No remuneration was paid to directors or officers during the year.

5. Anti-Inflation Program

Under the federal government's anti-inflation program, the company is subject to mandatory compliance with legislation which controls shareholder dividends. The controls, as they apply to the company, expire on October 13, 1978.

6. Exploration Program

In October 1975, the company acquired a 50% undivided interest in sixty-six unpatented mining claims owned by Upper Canada Resources Limited (Upper Canada) as consideration for providing to Upper Canada certain information on these claims.

On April 28, 1976, Queenston and Upper Canada entered into an agreement with respect to their respective holdings in the Kirkland Lake area, whereby thirty-seven patented mining claims owned by Queenston were combined with one patented claim and sixty-six unpatented mining claims in which each company owned a 50% undivided interest, to form a group of thirty-eight patented and sixty-six unpatented mining claims in which Queenston has a 75% undivided interest and Upper Canada has a 25% undivided interest.

On April 28, 1976, the company and Upper Canada entered into an agreement with Canadian Nickel Company Limited (Canico) which was granted the option to earn up to a 65% undivided interest in the said total group of claims. Under the terms of the option, Queenston and Upper Canada received from Canico \$75,000 and \$25,000 respectively. Canico is also obligated to incur exploration expenses on the claims of \$100,000 by December 31, 1976 and further \$200,000 by December 31, 1977. Subject to making such expenditures Canico has the option to make additional exploration expenditures of \$1,000,000 by December 31, 1980 and thereby earn a 40% undivided interest in the said total group of claims. If Canico fails to earn its 40% undivided interest in the claims, the ownership of the claims will revert to the position prior to April 1976. Canico can earn an additional 25% undivided interest therein by exercising an option to make further exploration expenditures of \$1,350,000 by December 31, 1983. The agreement provides for Canico to finance exploration of the claims to a feasibility stage and subsequently for all parties to contribute pro rata to the financing of any mining venture. Each party's interest in the claims will be reduced in accordance with the agreement to the extent that it fails to contribute its proportionate share of such financing.

In fulfillment of the terms of this agreement, Canico's exploration expenditures to December 31, 1976 amounted to approximately \$325,000.

If pursuant to the foregoing, Queenston's interest is reduced 7.5% this interest shall be automatically converted into a 7.5% royalty interest on the net proceeds from operations on the claims.

7. Subsequent Events

Subsequent to the year-end and in accordance with agreements dated August 29, 1977, the company:

- (a) Increased its authorized share capital by 4,000,000 additional shares of no par value from 6,000,000 to 10,000,000 shares;
- (b) Allotted and issued to Upper Canada Resources Limited 2,000,000 shares at the price of 15 cents per share; and

(c) Acquired a number of mineral properties from the following related companies:

i) Pandora Limited

Seven patented claims and twenty-nine unpatented claims in Cadillac Township, Quebec, for \$75,000.

ii) Upper Kirkland Mines Limited

Twelve patented claims in Teck Township and five patented claims in Otto Township, Ontario, for \$64,000.

iii) Upper Canada Resources Limited

(A) The Upper Canada mine property, including buildings but excluding inventory, and the easements for the Crystal Lake waterline, the mine property consisting of forty-four patented mineral claims and eight unpatented mineral claims situated in the Townships of Gauthier and Lebel, Kirkland Lake area of Ontario;

(B) The Upper Beaver mine property consisting of thirty-two patented mineral claims and nineteen unpatented mineral claims situated in the Townships of Gauthier and McVittie, Kirkland Lake area of Ontario;

(C) All of the 25% interest of Upper Canada Resources Limited in the claims known as the Queenston Property and the Munro Property, and After Acquired Properties, being patented and unpatented claims situated in the Townships of Gauthier and Lebel, together with all of the rights and obligations of Upper Canada in the agreement between Queenston Gold Mines Limited, Upper Canada Resources Limited and Canadian Nickel Company Limited, dated April 28, 1976, with the result that, upon completion, Queenston will own a 100% interest in the Queenston Property, the Munro Property, the After Acquired Properties and in the former combined interest of Queenston and Upper Canada in the Canico Agreement;

(D) Upper Canada's 50% interest in the Gracie Park-Boisvert mining properties comprising nineteen patented claims situated in the Township of Teck in the Kirkland Lake area of Ontario and Upper Canada's interest in a Royalty Agreement for these claims with Willroy Mines Limited;

(E) 750,000 common shares of Laberada Mines Limited, being a 25% interest in that company (which owns a forty-two claim property in Lebel Township);

for \$264,250 payable partly in cash (\$22,000) and partly by way of a debt instrument in the amount of \$242,250 bearing interest at the rate of 6% per annum, repayable as to principal in ten annual instalments of \$24,225 each plus interest and convertible as to principal annually in the amount of \$24,225 into shares of the company at 15 cents per share.

